

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Review, 2012

Docket No. ACR2012

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 6
(February 7, 2013)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 6, issued on January 28, 2013. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 1

Please explain how the 2013 Performance Plan “cover[s] each program activity set forth in the Postal Service budget...” 39 U.S.C. § 2803(a). “Program activity” means “a specific activity related to the mission of the Postal Service.” § 2801(5).

RESPONSE:

The FY 2012 Annual Performance Report and FY 2013 Performance Plan provides the Postal Service's broader long-term goals (at pg. 30), as well as its more specific organization-wide strategic goals (at pg. 34) and strategic change initiatives (at pg. 38) for achieving the Postal Service's goals. These goals and initiatives cover the Postal Service's program activities.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 2

The 2013 Performance Plan must establish “performance goals” defining the level of performance to be achieved by a program activity. 39 U.S.C. § 2803(a)(1).

- a. Please list the performance goals in the 2013 Performance Plan.
- b. Please “briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals.” § 2803(a)(3).

RESPONSE:

a. The performance goals are provided in the FY 2012 Annual Performance Report and FY 2013 Performance Plan on page 30 (Strategic Goals), page 34 (Organization-Wide Goals, Measures, Results, and Targets), and pages 38-39 (Strategic Change Initiatives, and Cross-Portfolio Performance Metrics).

b. The Postal Service provided brief descriptions of the status of the identified performance goals, including “the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals” on pages 35-37, and 40-56 of the FY 2012 Annual Performance Report and FY 2013 Performance Plan. Further information is available on pages 4-13 of the Postal Service’s 2012 Annual Report to Congress. This portion of the report was not filed as part of USPS-FY12-17 - FY 2012 Comprehensive Statement of Postal Operations. It is available publicly at: <http://about.usps.com/publications/annual-report-comprehensive-statement-2012/annual-report-comprehensive-statement-2012.pdf>.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 3

Please list the “performance indicators” used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity. 39 U.S.C. § 2803(a)(4).

RESPONSE:

The performance indicators are provided with the performance goals on pages 34 and 39 of the FY 2012 Annual Performance Report and FY 2013 Performance Plan.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 4

In FY 2012, service performance scores for Single-Piece First Class Mail Overnight and Three Day did not meet FY 2012 targets.

- a. Please explain why the targets were not met.
- b. Please describe the plans and schedules for achieving the FY 2013 targets.

RESPONSE:

a. During FY 2012, the Postal Service missed targets for Single-Piece First-Class (SPFC) Overnight mail during Q1 and Q4 and targets for SPFC 3-5 Day mail during Q1 and Q2 respectively. Contributing factors to missing these targets during FY 2012 was the peak season during which time increased volumes compete for capacity on transportation. Winter weather during this same period also provided increased challenges to achieve service targets in several areas throughout the country.

Additionally, in July 2012, the Postal Service implemented service standard changes and 46 plant consolidations. These changes, while planned for in advance, created variations in our processes and networks that we quickly brought under control.

b. During Q1, the Postal Service worked to increase lift capacity as a means of reaching the FY 2013 service performance targets. Due to the increased volumes during the fall mailing season and peak season, Network Operations had to develop detailed diversion plans which diverted mail from Air to Surface transportation for specific days of the week. This had an impact on the 3-5 Day service as Single-Piece First Class Mail competes with Priority and First Class packages for capacity on airplanes. The Postal Service also is continuing to find ways to increase processing efficiencies, which will result in increased service performance.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Despite the planned improvements described above, Superstorm Sandy has resulted in numerous challenges to the Postal Service so far in FY 2013. As a result of the storm, the Postal Service lost power at 20 processing plants; 485 facilities were damaged, including 50 which were flooded; more than 12% of three-digit ZIPs were impacted and operations at processing plants were impacted for up to 28 days. Despite these challenges, the Postal Service responded quickly to offload mail to alternative plants for processing. In many locations, the Postal Service was the first governmental entity to provide service to customers and service was restored at more than half of the impacted three-digit ZIPs within 1 day. While the majority of facilities have been repaired, a few buildings remain unoccupied because of damage. The challenges with restoring service throughout the impacted area have affected the Postal Service's plans for achieving FY 2013 service performance targets.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 5

In FY 2012, Deliveries per Work Hour of 41.0 did not meet the FY 2012 target of 42.2.

- a. Please explain why the target was not met.
- b. Please describe the plans and schedules for achieving the FY 2013 target.

RESPONSE:

a. The FY 2012 Deliveries per Work Hour performance target was not met due to a number of factors. The Postal Service planned for very aggressive cost reduction plans; however, these plans changed due to: (i) network and delivery consolidations taking place on a slower schedule than originally planned; and (ii) additional workload based on higher-than-planned volumes.

b. Like FY 2012, the Deliveries per Work Hour target for FY 13 is aggressive. To meet the target we have begun implementation of the following: (i) network consolidations; (ii) delivery unit consolidations; (iii) POStPlan; and (iv) centralizing business deliveries rather than going to door for new delivery points and for customers who volunteer for such conversions.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 6

Please identify where the 2012 Report provides “the summary findings of those program evaluations completed during” FY 2012. 39 U.S.C. § 2804(d)(4). “Program evaluation” means “an assessment, through objective measurement and systematic analysis, of the manner and extent to which Postal Service programs achieve intended objectives.” § 2801(6).

RESPONSE:

The charts on pages 34 and 39 of the FY 2012 Annual Performance Report and FY 2013 Performance Plan provide the program evaluation measures and metrics. Additional program evaluation analysis is provided throughout the document.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 7

The 2013 Performance Plan sets forth “strategic change initiatives” that involve infrastructure and operations optimization, revenue generation programs, and workplace and workforce initiatives. FY 2012 Comprehensive Statement on Postal Operations, USPS-FY12-17, at 38. Please explain why the strategic change initiatives differ from the strategic initiatives listed in the 2010 and 2011 Comprehensive Statements of Postal Operations. (Citations omitted.)

RESPONSE:

As explained on page 38 of the FY 2012 Comprehensive Statement on Postal Operations, “[t]he portfolio [of strategic change initiatives] is dynamic and will change as priorities and resources require, and as programs are completed or adjusted based on external events.”

The representation of the strategic change initiatives in the FY 2012 Comprehensive Statement of Postal Operations differs from the representation of the strategic initiatives in previous years to better reflect the Postal Service’s current strategic goals. The content covered by the identified strategic change initiatives, however, is substantially similar to previous years as shown in the chart below. Further, additional information regarding the strategic change initiatives identified on page 38 can be found throughout the document.

FY 2010 and FY 2011 Strategic Initiatives	Correlated FY 2012 Strategic Change Initiatives
1. Intelligent Mail	Infrastructure and Operations Optimization: Product visibility, Commercial mail acceptance transformation
2. Flats Sequencing System	Infrastructure and Operations Optimization: Mail processing and transportation
3. Expand Access	Infrastructure and Operations Optimization: Retail access

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

FY 2010 and FY 2011 Strategic Initiatives	Correlated FY 2012 Strategic Change Initiatives
4. Optimize Network	Infrastructure and Operations Optimization: Mail processing and transportation, Facilities management and disposal
5. Flexible Workforce	Workplace and Workforce Initiatives: Talent management and development, Employee engagement, Total labor cost, Workforce optimization
6. Reduce Energy Use	Infrastructure and Operations Optimization: Sustainability
7. Reduce Delivery Costs	Infrastructure and Operations Optimization: Delivery
8. Expand Products, Services, and Features	Revenue Generation Programs: Shipping growth, Transaction mail preservation, Marketing mail growth, Global growth, Digital and hybrid mail growth, Customer experience
9. Address Legislative Requirements for Funding	Infrastructure and Operations Optimization: Ongoing legislative and regulatory agenda

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 8

Please provide FY 2013 targets for each of the Cross-Portfolio Performance Metrics on page 39 of the 2012 Comprehensive Statement.

RESPONSE:

FY 2013 targets for Cross-Portfolio Performance Metrics are currently being compiled.

The Postal Service expects that process to be completed by the end of February.

The portfolio of strategic change initiatives is dynamic and changes as priorities and resources require, and as programs are completed or adjusted based on external events. As a result, the Cross-Portfolio Performance Metric targets for FY 2013 may differ from the Cross-Portfolio Performance Metric targets identified in FY 2012.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6

Question 9

Please file under seal the FY 2012 targets, FY 2012 results, and FY 2013 targets for competitive products, including Express Mail, Priority Mail, and Parcel Select.

RESPONSE:

Please see USPS-FY12-NP36, filed under seal on February 7, 2013.